



**DIRECTORS OR TRUSTEES (continued)**

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## ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1-2)	4 Net Admitted Assets
1. Bonds (Schedule D)	11,117,927		11,117,927	13,832,923
2. Stocks (Schedule D)				
2.1 Preferred stocks	1,500,000		1,500,000	1,500,000
2.2 Common Stocks	2,130,462		2,130,462	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances)				
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)				
5. Cash (\$.....25,720,714 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....0 Schedule DA)	25,720,714		25,720,714	27,555,551
6. Contract loans (including \$.....0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	5,623		5,623	5,616
9. Receivables for securities				
10. Securities Lending Reinvested Collateral Assets (Schedule DL)				
11. Aggregate write-ins for invested assets	(1)		(1)	
12. Subtotals, cash and invested assets (Lines 1 to 11)	40,474,725		40,474,725	42,894,090
13. Title plants less \$.....0 charged off (for Title insurers only)				
14. Investment income due and accrued	77,010		77,010	60,410
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	363,664	873	362,791	619,508
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	142,351		142,351	733,888
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	464,360		464,360	190,954
18.1 Current federal and foreign income tax recoverable and interest thereon	91,426		91,426	5,349
18.2 Net deferred tax asset	298,137		298,137	
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$.....0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	221,607		221,607	266,630
24. Health care (\$.....0) and other amounts receivable	693,330	693,330		
25. Aggregate write-ins for other than invested assets	788,808		788,808	
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	43,615,418	694,203	42,921,215	44,770,829
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	43,615,418	694,203	42,921,215	44,770,829
<b>DETAILS OF WRITE-INS</b>				
1101. rounding	(1)		(1)	
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)	(1)		(1)	
2501. Premium Tax & CHIP receivable	788,807		788,807	
2502. rounding	1		1	
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	788,808		788,808	

## LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded) .....	13,673,771	1,360,612	15,034,383	14,825,908
2. Accrued medical incentive pool and bonus amounts .....				
3. Unpaid claims adjustment expenses .....	99,778		99,778	101,967
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act .....	652,017		652,017	102,864
5. Aggregate life policy reserves .....				
6. Property/casualty unearned premium reserves .....				
7. Aggregate health claim reserves .....				
8. Premiums received in advance .....	4,038,826		4,038,826	4,045,418
9. General expenses due or accrued .....	903,964		903,964	1,284,822
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)) .....				
10.2 Net deferred tax liability .....				
11. Ceded reinsurance premiums payable .....				
12. Amounts withheld or retained for the account of others .....				
13. Remittances and items not allocated .....				
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current) .....				
15. Amounts due to parent, subsidiaries and affiliates .....	723,866		723,866	3,747
16. Derivatives .....				
17. Payable for securities .....				
18. Payable for securities lending .....				
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers) .....				
20. Reinsurance in unauthorized companies .....				
21. Net adjustments in assets and liabilities due to foreign exchange rates .....				
22. Liability for amounts held under uninsured plans .....	1,860,499		1,860,499	1,242,508
23. Aggregate write-ins for other liabilities (including \$.....0 current) .....	788,807		788,807	(1)
24. TOTAL Liabilities (Lines 1 to 23) .....	22,741,528	1,360,612	24,102,140	21,607,233
25. Aggregate write-ins for special surplus funds .....	X X X	X X X		
26. Common capital stock .....	X X X	X X X	2,454	2,454
27. Preferred capital stock .....	X X X	X X X	25,500,046	25,500,046
28. Gross paid in and contributed surplus .....	X X X	X X X		
29. Surplus notes .....	X X X	X X X		
30. Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
31. Unassigned funds (surplus) .....	X X X	X X X	(6,683,065)	(2,338,544)
32. Less treasury stock, at cost:				
32.1 .....0 shares common (value included in Line 26 \$.....0) .....	X X X	X X X	360	360
32.2 .....0 shares preferred (value included in Line 27 \$.....0) .....	X X X	X X X		
33. TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32) .....	X X X	X X X	18,819,075	23,163,596
34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33) .....	X X X	X X X	42,921,215	44,770,829
<b>DETAILS OF WRITE-INS</b>				
2301. rounding .....				(1)
2302. CHIP Payable .....	788,807		788,807	
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	788,807		788,807	(1)
2501. ....	X X X	X X X		
2502. ....	X X X	X X X		
2503. ....	X X X	X X X		
2598. Summary of remaining write-ins for Line 25 from overflow page .....	X X X	X X X		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	X X X	X X X		
3001. ....	X X X	X X X		
3002. ....	X X X	X X X		
3003. ....	X X X	X X X		
3098. Summary of remaining write-ins for Line 30 from overflow page .....	X X X	X X X		
3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above) .....	X X X	X X X		

## STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months .....	X X X	569,492	567,122
2. Net premium income (including \$.....0 non-health premium income) .....	X X X	146,105,210	146,799,509
3. Change in unearned premium reserves and reserve for rate credits .....	X X X		
4. Fee-for-service (net of \$.....0 medical expenses) .....	X X X		
5. Risk revenue .....	X X X		
6. Aggregate write-ins for other health care related revenues .....	X X X		
7. Aggregate write-ins for other non-health revenues .....	X X X		
8. TOTAL Revenues (Lines 2 to 7) .....	X X X	146,105,210	146,799,509
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....	9,590,392	105,968,185	98,179,759
10. Other professional services .....			
11. Outside referrals .....			
12. Emergency room and out-of-area .....	225,772	2,494,716	3,444,995
13. Prescription drugs .....		23,064,440	25,387,426
14. Aggregate write-ins for other hospital and medical .....			
15. Incentive pool, withhold adjustments and bonus amounts .....			
16. Subtotal (Lines 9 to 15) .....	9,816,164	131,527,341	127,012,180
<b>Less:</b>			
17. Net reinsurance recoveries .....		2,200,639	1,912,488
18. TOTAL Hospital and Medical (Lines 16 minus 17) .....	9,816,164	129,326,702	125,099,692
19. Non-health claims (net) .....			
20. Claims adjustment expenses, including \$.....3,071,784 cost containment expenses .....		5,030,345	4,647,708
21. General administrative expenses .....		16,119,665	15,319,258
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only) .....		468,266	
23. TOTAL Underwriting Deductions (Lines 18 through 22) .....	9,816,164	150,944,978	145,066,658
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X	(4,839,768)	1,732,851
25. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....		430,498	354,912
26. Net realized capital gains (losses) less capital gains tax of \$.....0 .....		(161,115)	1,233
27. Net investment gains (losses) (Lines 25 plus 26) .....		269,383	356,145
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)] .....			
29. Aggregate write-ins for other income or expenses .....			(1)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	X X X	(4,570,385)	2,088,995
31. Federal and foreign income taxes incurred .....	X X X	(11,077)	49,400
32. Net income (loss) (Lines 30 minus 31) .....	X X X	(4,559,308)	2,039,595
<b>DETAILS OF WRITE-INS</b>			
0601. ....	X X X		
0602. ....	X X X		
0603. ....	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X		
0701. ....	X X X		
0702. ....	X X X		
0703. ....	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	X X X		
0799. TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above) .....	X X X		
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page .....			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....			
2901. rounding .....			(1)
2902. 0 .....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page .....			
2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above) .....			(1)

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

		1	2
		Current Year	Prior Year
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>			
33.	Capital and surplus prior reporting year .....	23,163,596	21,712,122
34.	Net income or (loss) from Line 32 .....	(4,559,308)	2,039,595
35.	Change in valuation basis of aggregate policy and claim reserves .....		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0 .....	(182,882)	
37.	Change in net unrealized foreign exchange capital gain or (loss) .....		
38.	Change in net deferred income tax .....	298,137	(733,626)
39.	Change in nonadmitted assets .....	99,533	144,602
40.	Change in unauthorized reinsurance .....		
41.	Change in treasury stock .....		
42.	Change in surplus notes .....		
43.	Cumulative effect of changes in accounting principles .....		
44.	Capital Changes:		
44.1	Paid in .....		901
44.2	Transferred from surplus (Stock Dividend) .....		
44.3	Transferred to surplus .....		
45.	Surplus adjustments:		
45.1	Paid in .....		
45.2	Transferred to capital (Stock Dividend) .....		
45.3	Transferred from capital .....		
46.	Dividends to stockholders .....		
47.	Aggregate write-ins for gains or (losses) in surplus .....	(1)	2
48.	Net change in capital and surplus (Lines 34 to 47) .....	(4,344,521)	1,451,474
49.	Capital and surplus end of reporting year (Line 33 plus 48) .....	18,819,075	23,163,596
<b>DETAILS OF WRITE-INS</b>			
4701.	Rounding .....	(1)	2
4702.	0 .....		
4703.	.....		
4798.	Summary of remaining write-ins for Line 47 from overflow page .....		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....	(1)	2

**CASH FLOW**

		1	2
		Current Year	Prior Year
<b>Cash from Operations</b>			
1.	Premiums collected net of reinsurance .....	146,926,300	148,142,996
2.	Net investment income .....	482,297	480,673
3.	Miscellaneous income .....	77,721	(211,975)
4.	Total (Lines 1 through 3) .....	147,486,318	148,411,694
5.	Benefit and loss related payments .....	128,994,956	122,374,705
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	21,188,472	20,067,734
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses) .....	75,000	44,999
10.	Total (Lines 5 through 9) .....	150,258,428	142,487,438
11.	Net cash from operations (Line 4 minus Line 10) .....	(2,772,110)	5,924,256
<b>Cash from Investments</b>			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	6,027,980	6,770,000
12.2	Stocks .....	808,731	
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7	Miscellaneous proceeds .....		
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	6,836,711	6,770,000
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	3,382,225	6,980,529
13.2	Stocks .....	3,282,348	1,500,000
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....		
13.6	Miscellaneous applications .....	7	1,245
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	6,664,580	8,481,774
14.	Net increase (decrease) in contract loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	172,131	(1,711,774)
<b>Cash from Financing and Miscellaneous Sources</b>			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....		901
16.3	Borrowed funds .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....		
16.6	Other cash provided (applied) .....	765,143	(815,499)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	765,143	(814,598)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	(1,834,837)	3,397,884
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year .....	27,555,551	24,157,667
19.2	End of year (Line 18 plus Line 19.1) .....	25,720,714	27,555,551

**Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:**

20.0001	.....		
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## ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income .....	146,105,210	144,675,538				1,429,672				
2. Change in unearned premium reserves and reserve for rate credit .....										
3. Fee-for-service (net of \$.....0 medical expenses) .....										XXX
4. Risk revenue .....										XXX
5. Aggregate write-ins for other health care related revenues .....										XXX
6. Aggregate write-ins for other non-health care related revenues .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
7. TOTAL Revenues (Lines 1 to 6) .....	146,105,210	144,675,538				1,429,672				
8. Hospital/medical benefits .....	105,968,185	105,014,903				953,282				XXX
9. Other professional services .....										XXX
10. Outside referrals .....										XXX
11. Emergency room and out-of-area .....	2,494,716	2,472,274				22,442				XXX
12. Prescription drugs .....	23,064,440	22,856,987				207,453				XXX
13. Aggregate write-ins for other hospital and medical .....										XXX
14. Incentive pool, withhold adjustments and bonus amounts .....										XXX
15. Subtotal (Lines 8 to 14) .....	131,527,341	130,344,164				1,183,177				XXX
16. Net reinsurance recoveries .....	2,200,639	2,200,639								XXX
17. TOTAL Hospital and Medical (Lines 15 minus 16) .....	129,326,702	128,143,525				1,183,177				XXX
18. Non-health claims (net) .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$.....3,071,784 cost containment expenses .....	5,030,345	4,985,094				45,251				
20. General administrative expenses .....	16,119,665	15,974,658				145,007				
21. Increase in reserves for accident and health contracts .....	468,266	463,684				4,582				XXX
22. Increase in reserves for life contracts .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. TOTAL Underwriting Deductions (Lines 17 to 22) .....	150,944,978	149,566,961				1,378,017				
24. Net underwriting gain or (loss) (Line 7 minus Line 23) .....	(4,839,768)	(4,891,423)				51,655				
<b>DETAILS OF WRITE-INS</b>										
0501. ....										XXX
0502. ....										XXX
0503. ....										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page .....										XXX
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) .....										XXX
0601. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
1301. ....										XXX
1302. ....										XXX
1303. ....										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page .....										XXX
1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above) .....										XXX



## UNDERWRITING AND INVESTMENT EXHIBIT PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Columns 1 + 2 - 3)
1. Comprehensive (hospital and medical) .....	147,545,475		2,869,937	144,675,538
2. Medicare Supplement .....				
3. Dental only .....				
4. Vision only .....				
5. Federal Employees Health Benefits Plan .....	1,449,783		20,111	1,429,672
6. Title XVIII - Medicare .....				
7. Title XIX - Medicaid .....				
8. Other health .....				
9. Health subtotal (Lines 1 through 8) .....	148,995,258		2,890,048	146,105,210
10. Life .....				
11. Property/casualty .....				
12. TOTALS (Lines 9 to 11) .....	148,995,258		2,890,048	146,105,210

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct .....	131,241,145	130,143,047				1,098,098				
1.2 Reinsurance assumed .....										
1.3 Reinsurance ceded .....	2,792,176	2,792,176								
1.4 Net .....	128,448,969	127,350,871				1,098,098				
2. Paid medical incentive pools and bonuses .....										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct .....	15,034,383	14,908,008				126,375				
3.2 Reinsurance assumed .....										
3.3 Reinsurance ceded .....										
3.4 Net .....	15,034,383	14,908,008				126,375				
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct .....										
4.2 Reinsurance assumed .....										
4.3 Reinsurance ceded .....										
4.4 Net .....										
5. Accrued medical incentive pools and bonuses, current year .....										
6. Net healthcare receivables (a) .....	(77,721)	(77,184)				(537)				
7. Amounts recoverable from reinsurers December 31, current year .....	142,351	142,351								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct .....	14,825,908	14,784,075				41,833				
8.2 Reinsurance assumed .....										
8.3 Reinsurance ceded .....										
8.4 Net .....	14,825,908	14,784,075				41,833				
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct .....										
9.2 Reinsurance assumed .....										
9.3 Reinsurance ceded .....										
9.4 Net .....										
10. Accrued medical incentive pools and bonuses, prior year .....										
11. Amounts recoverable from reinsurers December 31, prior year .....	733,888	733,888								
12. Incurred benefits:										
12.1 Direct .....	131,527,341	130,344,164				1,183,177				
12.2 Reinsurance assumed .....										
12.3 Reinsurance ceded .....	2,200,639	2,200,639								
12.4 Net .....	129,326,702	128,143,525				1,183,177				
13. Incurred medical incentive pools and bonuses .....										

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct .....	1,480,572	1,468,127				12,445				
1.2 Reinsurance assumed .....										
1.3 Reinsurance ceded .....										
1.4 Net .....	1,480,572	1,468,127				12,445				
2. Incurred but Unreported:										
2.1 Direct .....	13,553,811	13,439,881				113,930				
2.2 Reinsurance assumed .....										
2.3 Reinsurance ceded .....										
2.4 Net .....	13,553,811	13,439,881				113,930				
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct .....										
3.2 Reinsurance assumed .....										
3.3 Reinsurance ceded .....										
3.4 Net .....										
4. TOTALS										
4.1 Direct .....	15,034,383	14,908,008				126,375				
4.2 Reinsurance assumed .....										
4.3 Reinsurance ceded .....										
4.4 Net .....	15,034,383	14,908,008				126,375				

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

	Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1.	Comprehensive (hospital and medical) .....	14,662,193	117,157,440	13,921	14,894,087	14,676,114	14,784,075
2.	Medicare Supplement .....						
3.	Dental only .....						
4.	Vision only .....						
5.	Federal Employees Health Benefits Plan .....	63,221	1,049,456	55	126,320	63,276	41,833
6.	Title XVIII - Medicare .....						
7.	Title XIX - Medicaid .....						
8.	Other health .....						
9.	Health subtotal (Lines 1 to 8) .....	14,725,414	118,206,896	13,976	15,020,407	14,739,390	14,825,908
10.	Healthcare receivables (a) .....	1,611,713	2,871,628		835,681	1,611,713	1,504,939
11.	Other non-health .....						
12.	Medical incentive pool and bonus amounts .....						
13.	TOTALS (Lines 9 - 10 + 11 + 12) .....	13,113,701	115,335,268	13,976	14,184,726	13,127,677	13,320,969

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**

**Grand Total**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	4,317	4,332	4,309	4,309	4,309
2. 2007 .....	43,395	47,669	47,715	47,715	47,715
3. 2008 .....	X X X	76,989	83,476	83,517	83,485
4. 2009 .....	X X X	X X X	95,617	104,485	104,457
5. 2010 .....	X X X	X X X	X X X	113,677	126,852
6. 2011 .....	X X X	X X X	X X X	X X X	115,336

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	(883)	(865)	(890)	4,309	4,309
2. 2007 .....	50,197	47,669	47,715	47,715	47,715
3. 2008 .....	X X X	86,444	83,489	83,517	83,485
4. 2009 .....	X X X	X X X	107,265	104,445	104,457
5. 2010 .....	X X X	X X X	X X X	128,543	126,866
6. 2011 .....	X X X	X X X	X X X	X X X	130,356

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2007 .....	59,764	47,715	3,596	7.536	51,311	85.856			51,311	85.856
2. 2008 .....	101,862	83,485	3,957	4.739	87,442	85.843			87,442	85.843
3. 2009 .....	126,741	104,457	4,307	4.123	108,764	85.816			108,764	85.816
4. 2010 .....	149,979	126,852	4,728	3.727	131,580	87.732	14		131,594	87.742
5. 2011 .....	148,996	115,336	4,323	3.748	119,659	80.310	15,020	100	134,779	90.458

12 Total

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**

**Hospital and Medical**  
**Section A - Paid Health Claims**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior .....	4,317	4,332	4,309	4,309	4,309
2.	2007 .....	43,395	47,669	47,715	47,715	47,715
3.	2008 .....	X X X	76,989	83,476	83,517	83,485
4.	2009 .....	X X X	X X X	95,617	104,485	104,457
5.	2010 .....	X X X	X X X	X X X	113,092	126,203
6.	2011 .....	X X X	X X X	X X X	X X X	114,298

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior .....	(883)	(865)	(890)	4,309	4,309
2.	2007 .....	50,197	47,669	47,715	47,715	47,715
3.	2008 .....	X X X	86,444	83,489	83,517	83,485
4.	2009 .....	X X X	X X X	107,265	104,445	104,457
5.	2010 .....	X X X	X X X	X X X	127,916	126,217
6.	2011 .....	X X X	X X X	X X X	X X X	129,192

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2007 .....	59,764	47,715	3,596	7.536	51,311	85.856			51,311	85.856
2. 2008 .....	101,862	83,485	3,957	4.739	87,442	85.843			87,442	85.843
3. 2009 .....	126,741	104,457	4,305	4.121	108,762	85.815			108,762	85.815
4. 2010 .....	149,279	126,203	4,708	3.731	130,911	87.696	14		130,925	87.705
5. 2011 .....	147,546	114,298	4,291	3.754	118,589	80.374	14,894	99	133,582	90.536

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . . NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only . . . . . NONE

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**  
**Federal Employees Health Benefits Plan Premiums**  
**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....					
2. 2007 .....					
3. 2008 .....	X X X				
4. 2009 .....	X X X	X X X			
5. 2010 .....	X X X	X X X	X X X	585	649
6. 2011 .....	X X X	X X X	X X X	X X X	1,038

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....					
2. 2007 .....					
3. 2008 .....	X X X				
4. 2009 .....	X X X	X X X			
5. 2010 .....	X X X	X X X	X X X	627	649
6. 2011 .....	X X X	X X X	X X X	X X X	1,164

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2007 .....										
2. 2008 .....										
3. 2009 .....			2		2				2	
4. 2010 .....	700	649	20	3.060	669	95.551			669	95.551
5. 2011 .....	1,450	1,038	32	3.125	1,070	73.823	126	1	1,197	82.582



12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XIX-Medicaid . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XIX-Medicaid . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XIX-Medicaid . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other . . . . . NONE

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves .....	183,751	183,751							
2. Additional policy reserves (a) .....	468,266	468,266							
3. Reserve for future contingent benefits .....									
4. Reserve for rate credits or experience rating refunds (including \$.....0 for investment income) .....									
5. Aggregate write-ins for other policy reserves .....									
6. TOTALS (Gross) .....	652,017	652,017							
7. Reinsurance ceded .....									
8. TOTALS (Net) (Page 3, Line 4) .....	652,017	652,017							
9. Present value of amounts not yet due on claims .....									
10. Reserve for future contingent benefits .....									
11. Aggregate write-ins for other claim reserves .....									
12. TOTALS (Gross) .....									
13. Reinsurance ceded .....									
14. TOTALS (Net) (Page 3, Line 7) .....									
<b>DETAILS OF WRITE-INS</b>									
0501. ....									
0502. ....									
0503. ....									
0598. Summary of remaining write-ins for Line 5 from overflow page .....									
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) .....									
1101. ....									
1102. ....									
1103. ....									
1198. Summary of remaining write-ins for Line 11 from overflow page .....									
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....									

(a) Includes \$.....0 premium deficiency reserve.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building) .....	228,928	75,776	258,978		563,682
2. Salaries, wages and other benefits .....	3,174,382	1,050,717	7,360,643		11,585,742
3. Commissions (less \$.....0 ceded plus \$.....0 assumed) .....			5,944,865		5,944,865
4. Legal fees and expenses .....			22,027		22,027
5. Certifications and accreditation fees .....					
6. Auditing, actuarial and other consulting services .....	263,088	33,388	774,111		1,070,587
7. Traveling expenses .....	28,111	15,662	52,595		96,368
8. Marketing and advertising .....	11,883	2,833	567,099		581,815
9. Postage, express and telephone .....	42,947	321,086	277,727		641,760
10. Printing and office supplies .....	28,771	6,392	334,299		369,462
11. Occupancy, depreciation and amortization .....			489,928		489,928
12. Equipment .....					
13. Cost or depreciation of EDP equipment and software .....					
14. Outsourced services including EDP, claims, and other services .....	(75)	1,144,128	3,394,117		4,538,170
15. Boards, bureaus and association fees .....					
16. Insurance, except on real estate .....			148,857		148,857
17. Collection and bank service charges .....					
18. Group service and administration fees .....					
19. Reimbursements by uninsured plans .....	(1,197,702)	(763,652)	(5,965,477)		(7,926,831)
20. Reimbursements from fiscal intermediaries .....					
21. Real estate expenses .....					
22. Real estate taxes .....					
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....					
23.2 State premium taxes .....					
23.3 Regulator authority licenses and fees .....			613,375		613,375
23.4 Payroll taxes .....	212,683	69,190	1,532,493		1,814,366
23.5 Other (excluding federal income and real estate taxes) .....			700		700
24. Investment expenses not included elsewhere .....					
25. Aggregate write-ins for expenses .....	278,768	3,041	313,328		595,137
26. TOTAL Expenses Incurred (Lines 1 to 25) .....	3,071,784	1,958,561	16,119,665		(a) 21,150,010
27. Less expenses unpaid December 31, current year .....		99,788	903,964		1,003,752
28. Add expenses unpaid December 31, prior year .....		101,967	1,284,822		1,386,789
29. Amounts receivable relating to uninsured plans, prior year .....					
30. Amounts receivable relating to uninsured plans, current year .....					
31. TOTAL Expenses Paid (Lines 26 minus 27 plus 28 minus 29 plus 30) .....	3,071,784	1,960,740	16,500,523		21,533,047
<b>DETAILS OF WRITE-INS</b>					
2501. Network Rental Fee .....	250,000				250,000
2502. Miscellaneous .....	28,768	3,041			31,809
2503. AM Best .....			36,200		36,200
2598. Summary of remaining write-ins for Line 25 from overflow page .....			277,128		277,128
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	278,768	3,041	313,328		595,137

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 227,131	220,005
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 60,000	39,212
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	23,742	23,742
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 176,132	147,539
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	487,005	430,498
11. Investment expenses		(g)
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		
17. Net Investment income (Line 10 minus Line 16)		430,498

**DETAILS OF WRITE-INS**

0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above)		

- (a) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	(1,958)		(1,958)	1,120	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	(159,157)		(159,157)	(184,002)	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	(161,115)		(161,115)	(182,882)	

**DETAILS OF WRITE-INS**

0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)					

## EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D) .....			
2. Stocks (Schedule D):			
2.1 Preferred stocks .....			
2.2 Common stocks .....			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....			
3.2 Other than first liens .....			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....			
4.2 Properties held for the production of income .....			
4.3 Properties held for sale .....			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA) .....			
6. Contract loans .....			
7. Derivatives (Schedule DB) .....			
8. Other invested assets (Schedule BA) .....			
9. Receivables for securities .....			
10. Securities lending reinvested collateral assets (Schedule DL) .....			
11. Aggregate write-ins for invested assets .....			
12. Subtotals, cash and invested assets (Lines 1 to 11) .....			
13. Title plants (for Title insurers only) .....			
14. Invested income due and accrued .....			
15. Premium and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection .....	873	22,685	21,812
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			
15.3 Accrued retrospective premiums .....			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers .....			
16.2 Funds held by or deposited with reinsured companies .....			
16.3 Other amounts receivable under reinsurance contracts .....			
17. Amounts receivable relating to uninsured plans .....			
18.1 Current federal and foreign income tax recoverable and interest thereon .....			
18.2 Net deferred tax asset .....			
19. Guaranty funds receivable or on deposit .....			
20. Electronic data processing equipment and software .....			
21. Furniture and equipment, including health care delivery assets .....			
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			
23. Receivables from parent, subsidiaries and affiliates .....			
24. Health care and other amounts receivable .....	693,330	771,051	77,721
25. Aggregate write-ins for other than invested assets .....			
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	694,203	793,736	99,533
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			
28. Total (Lines 26 and 27) .....	694,203	793,736	99,533
<b>DETAILS OF WRITE-INS</b>			
1101. ....			
1102. ....			
1103. ....			
1198. Summary of remaining write-ins for Line 11 from overflow page .....			
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....			
2501. Prepaid Admin Contract .....			
2502. ....			
2503. ....			
2598. Summary of remaining write-ins for Line 25 from overflow page .....			
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....			

## EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations .....	53	119	107	106	104	1,308
2. Provider Service Organizations .....						
3. Preferred Provider Organizations .....						
4. Point of Service .....	49,572	48,680	48,911	45,630	44,963	568,184
5. Indemnity Only .....						
6. Aggregate write-ins for other lines of business .....						
7. TOTAL .....	49,625	48,799	49,018	45,736	45,067	569,492
<b>DETAILS OF WRITE-INS</b>						
0601. ....						
0602. ....						
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page .....						
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....						

## Notes to Financial Statements

QCA HEALTH PLAN, INC.

### Notes to Financial Statements - Statutory Basis December 31, 2010 and 2009

#### (1) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used in the preparation of the accompanying financial statements. Such policies are in conformity with the Annual Statement Instructions and the Accounting Practices and Procedures Manual of the National Association of Insurance Commissioners ("NAIC") and the accounting practices as prescribed or permitted by the Arkansas Insurance Department and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents and Short Term Investments:** The Company considers all cash accounts and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Certificates of Deposit with a maturity of more than four months but less than one year are considered short term investments and are stated at cost.

**Premiums Receivable:** The Company uses the allowance method of accounting for uncollectible receivables. Premiums receivable represents medical premium revenue that has been billed and recognized as revenue, but has not been collected.

**Investment Securities:** Bonds and other debt instruments are classified as held to maturity and are stated at cost adjusted for amortization of premiums and accretion of discounts computed by the interest method.

**Medical Claims Payable:** Reported claims expected to be paid after the balance sheet date for services provided to members prior to the balance sheet date are recorded as liabilities. Claims for services provided to members during the financial reporting period which are unreported at the balance sheet date are estimated based on the Company's claims experience and recorded as liabilities. The amounts recorded are based upon estimates of the ultimate net cost of such services provided. These reserves are subject to continuous review by management and changes in estimates are reflected in earnings currently.

**Income Taxes:** Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due.

**Revenue:** Medical premium revenue is recognized in the month in which members are entitled to receive health care services. Medical premiums collected in advance are recorded as premium received in advance.

**Cost of Benefits Provided:** Cost of benefits provided includes the costs of all medical services delivered to enrolled members of the Company and for whom the Company has recorded medical premium revenue during the reporting period. These costs include payments for specific medical services paid to physicians, hospitals, and other health care providers on a fee-for-service basis. Costs of benefits include claims paid, claims in process and pending, estimates of unreported claims and charges, and processing costs of those estimates at the end of the fiscal year for which the Company will be responsible.

**Premium Tax:** The state in which the Company does business requires the remittance of premium taxes based upon a percentage of billed premiums.

**Advertising Costs:** Advertising and promotions related expenses are charged to operations when incurred.

**Non-Admitted Assets:** Certain assets (principally pharmaceutical rebate receivables and deferred tax assets not expected to be realized within a 12 month period) designated as "non-admitted" are not included in the financial statements.

**Accounting Estimates:** The preparation of financial statements in conformity with the accounting practices described above requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### (2) Accounting Changes and Corrections of Errors

None.

## Notes to Financial Statements

### (3) Business Combinations and Goodwill

None.

### (4) Discontinued Operations

None.

### (5) Investments

The carrying value and estimated market value of investments in securities as of December 31, 2010 and 2009 are as follows:

		<b>2010</b>				
		Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value	
U.S. Government securities	\$		11,721,643	155,834	-	11,877,477
Corporate bond		2,111,280	23,470	-	2,134,750	
	\$	13,832,923	179,304	-	14,012,227	
		<b>2009</b>				
		Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value	
U.S. Government securities	\$		12,662,443	46,255	-	12,708,698
Corporate bond		998,603	32,834	-	1,031,437	
	\$	13,661,046	79,089	-	13,740,135	

The carrying value and estimated market value of securities as of December 31, 2010, by contractual maturity, are shown below:

	Carrying Value	Market Value
Matures in one year or less	\$ 3,955,787	3,997,891
Matures in one to seven years	9,877,136	10,014,336
	\$ 13,832,923	14,012,227

Included in the amounts above, the Company holds a U.S. Government debt security that is restricted due to regulatory requirements, which matures in one to three years and is held to maturity. At December 31, 2010 and 2009, the aggregate fair value was \$636,928 and \$625,197, respectively.

At December 31, 2010 and 2009, there were no securities that have been in a continuous loss position.

### (6) Joint Ventures, Partnerships and Limited Liability Companies

The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.

### (7) Investment Income

The Company's investment income was earned on cash and cash equivalents, and bonds and no investment income was excluded from surplus for the years ending December 31, 2010 and 2009.

### (8) Derivative Instruments



## Notes to Financial Statements

None.

### (9) Income Taxes

The Company's net deferred tax asset account was comprised of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Deferred tax assets	\$ -	733,626
Valuation allowance	-	-
	<u>\$ -</u>	<u>733,626</u>

The provision for income taxes in the financial statements differs from the amount determined by applying the statutory Federal income rate to earnings before income taxes. The reconciling items and amounts as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Expected income tax expense	\$ 882,646	852,965
Benefit from net operating loss carryforwards	<u>(833,245)</u>	<u>(810,735)</u>
	<u>\$ 49,401</u>	<u>42,230</u>

### (10) Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

The Company is party to a service agreement with an affiliate whereby the affiliate provides a full range of administrative, managerial and technological services. The Company paid this affiliate \$17,481,009 and \$16,510,718 during 2010 and 2009, respectively, for these services.

Under the provisions of various provider contracts, the Company paid \$31,351,026 and \$31,348,656 to hospitals that owned a portion of the Company's common or preferred stock during 2010 and 2009, respectively.

Administrative fee revenue in the amount of \$7,020,097 and \$6,849,603 was received from hospitals that either owned a portion of the Company's common or preferred stock during 2010 and 2009, respectively, that relate to risk-based and administrative services only (ASO) lines of business.

The Company was due \$266,630 and \$186,136 from a affiliate as of December 31, 2010 and 2009, respectively. The balance relates to an agreement between the Company and QualChoice of Arkansas, Inc. ("QualChoice"), for professional services from a network of physicians, in which qualifying fee-for-service medical charges are withheld by QualChoice and remitted to the Company.

The Company owed \$3,747 and \$971,826 to stockholders as of December 31, 2010 and 2009, respectively, for general expenses paid on behalf of the Company.

The Company entered into an agreement with QualChoice in November 2001, whereby the Company assumed the groups QualChoice managed under a third party administrator agreement on January 1, 2002, on behalf of employers which sponsor health benefit plans for employees. The Company assumed the obligations to perform such duties under the existing contracts with QualChoice, and in exchange for receiving these groups. The Company has paid QualChoice annual network rental fees of \$250,00 for the years ended December 31, 2010 and 2009.

QualChoice Holdings was issued a Certificate of Incorporation as a for profit corporation August 17, 2010. It was established for the purpose of owning the stock of QCA Health Plan, Inc. and QualChoice Life and Health Insurance Company, Inc. On November 29, 2010, 100% of the stock of both companies was transferred to QualChoice Holdings. QualChoice Holdings now owns all of the stock of QCA Health Plan, Inc.

### (11) Debt

## Notes to Financial Statements

There were no surplus notes, debentures, or loans in 2010 or 2009.

### (12) Retirement Plans, Deferred Compensation, Postemployment Benefit and Compensated Absences and Other Postretirement Benefits Plans

The Company has an employee 401(k) plan covering all full-time employees of the Company who have completed three months of employment and choose to participate. The Company contributes an amount equal to the portion of the employee's contribution which does not exceed 3% of the employee's salary. Contributions to the plan during 2010 and 2009 totaled \$226,420 and \$211,460, respectively.

### (13) Capital and Surplus, Shareholders' Dividend Restrictions and Quasi- Reorganizations

The Company has 50,000 shares of \$.10 per share par value common stock authorized and 20,935 shares outstanding, exclusive of 3,600 shares held as treasury stock. On December 31, 2009 the company had 11,925 shares outstanding, exclusive of 3,600 shares held as treasury stock. The Company has 25,500.046 shares of \$1,000 par value preferred stock outstanding. The Company does not intend to pay dividends on its common or preferred stock in the foreseeable future.

The Company's preferred stock structure is as follows as of December 31:

	2010	2009
Series A, \$1,000 par value; 5% noncumulative, nonvoting; convertible into 4,732 shares of nonvoting common stock; 2,868 shares authorized and issued.	\$ 2,868,000	2,868,000
Series B, \$1,000 par value; 5% noncumulative, nonvoting; convertible into 16,833 shares of nonvoting common stock; 9,342.808 shares authorized and issued.	9,342,808	9,342,808
Series C, \$1,000 par value; 2% noncumulative, nonvoting, nonconvertible; 5,000 shares authorized and issued.	5,000,000	5,000,000
Series D, \$1,000 par value; noncumulative, nonvoting, nonconvertible; 8,289.238 shares authorized and issued.	8,289,238	8,289,238
	\$ 25,500,046	25,500,046

In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the affairs of the Company the holders of the preferred stock shall be entitled to share ratably in any assets of the Company available for distribution to the Company's stockholders. The amount will be equal to the greater of (a) \$1,000 per share of preferred stock, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization, plus all declared, approved, but unpaid dividends through such distribution payment date or (b) the amount per share such shareholder would receive if such shareholder converted such shares of preferred stock into common stock in accordance with the conversion factor set out on in the "Statement of Preferences and Terms of Preferred Stock" immediately prior to such liquidation, dissolution, or winding up of the affairs of the Company. Any payments or distributions to the preferred stockholders shall be made before any such payments or distributions shall be made to common stockholders.

### (14) Contingencies

The Company is a defendant in general litigation as of December 31, 2010, in the ordinary course of business. The Company's management believes, however, that any liability it may incur as a result of this litigation would not have a material or adverse effect to the financial statements and, accordingly, no contingencies have been recorded.

## Notes to Financial Statements

The Company is subject to various regulatory requirements, including maintenance of minimum capital and surplus. At December 31, 2010, the Company is in compliance with requirements established by the Arkansas Insurance Department. The Company is required to maintain restricted investments in the minimum maturity amount of \$625,000.

**(15) Leases**

None.

**(16) Information About Financial Instruments With Off Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk**

None.

**(17) Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

None.

**(18) Gain or Loss To The Reporting Entity From Uninsured A&H Plans and The Uninsured Portion of Partially Insured Plans**

During 2010 and 2009, the Company had Administrative Services Only (ASO) contracts and minimum premium contracts, for which the employer retained all health care service risk, while the Company assumed administrative risk. The Company recorded administrative fee revenues of approximately \$7,651,802 and \$7,388,789 for 2010 and 2009, respectively. The amounts are not recorded as revenue in this statutory statement, but rather as a reduction in operating expenses. The profit (loss) associated with this line of business was \$165,753 and \$171,421 for 2010 and 2009, respectively. The claims volume was approximately \$96,489,306 and \$96,584,964 for 2010 and 2009, respectively. The Company has no Medicare or similarly structured cost based reimbursement contracts.

**(19) Direct Premium Written/Produced By Managing General Agents/Third Party Administrators**

None.

**(20) Fair Value Measurements**

None. All investments are recorded at amortized cost.

**(21) Other Items**

None.

**(22) Events Subsequent**

Subsequent events have been considered through February 28, 2011, the date which the financial statements were available to be issued.

**(23) Reinsurance**

The Company is covered under a medical reinsurance agreement effective October 1, 2010 through September 30, 2011, that provides annual coverage for eligible in area and out of area hospital services of 90% in excess of \$225,000 per member. The policy covers all medical and pharmaceutical services including inpatient and outpatient hospital, sub-acute facility services, skilled nursing facility and rehabilitation facility services, hospice services, home health agency services, outpatient facility services, prescription drugs, and physician and other professional services. Certain of the covered services have per unit or annual coverage limits. For example, coverage for prescription drugs is limited to \$250,000 per contract year. Each insured member's coverage is limited to \$5,000,000 in the contract year.

The reinsurance agreement also includes catastrophic reinsurance coverage. The catastrophic provision provides coverage for the same categories of eligible medical services of 90% in excess of \$500,000 per member with a maximum of \$5,000,000 per member in the contract year. The Company receives reimbursement under the agreement at the most favorable coverage level.

## Notes to Financial Statements

The reinsurance agreement contains a provision through which the Company may receive an Experience Refund equal to 40% of a realized gain in a contract year. A realized gain is defined as the amount by which the actual claims against policy filed by the Company are less than 68% of total policy premiums for the contract year. The policy must be renewed in a subsequent contract year for the Company to receive a prior year's Experience Refund. At December 31, 2010 the Company recorded a receivable of \$232,493 for Experience Refund related to the contract year that began October 31, 2010 and \$501,395 for the contract year ended September 30, 2010. At December 31, 2009 the Company recorded a receivable of \$294,611 related to the Experience Refund.

The reinsurance agreement also contains a Continuation of Coverage endorsement in the event of insolvency on the part of the Company. The limitation on liability to HCC under this endorsement is \$5,000,000.

The Company has no return commission, which would have been due if the Company had cancelled the reinsurance. The Company has no retroactive reinsurance agreements. The reinsurance does not have retroactive termination arrangement clause.

### (24) Retrospectively Rated Contracts & Contracts Subject To Redetermination

None.

### (25) Change In Incurred Claims and Claim Adjustment Expenses

None.

### (26) Intercompany Pooling Arrangements

None.

### (27) Structured Settlements

None.

### (28) Health Care Receivables

The Company experienced the following activity associated with the pharmaceutical rebate receivables by quarter for the previous three years from December 31, 2010:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Confirmed	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2010	771,051	0			
9/30/2010	523,733	151,797	151,797		
6/30/2010	455,540	244,148	92,351	151,797	
3/31/2010	497,294	350,067	105,919	92,351	151,797
12/31/2009	559,077	601,106	267,382	105,919	227,805
9/30/2009	356,137	597,995	109,804	267,382	220,809
6/30/2009	372,276	532,192	102,070	109,804	320,318
3/31/2009	489,705	541,972	159,853	102,070	280,049
12/31/2008	505,226	551,945	155,943	159,853	236,149
9/30/2008	396,280	505,779	105,569	155,493	244,717
6/30/2008	179,162	359,142	10,368	105,569	243,205
3/31/2008	245,543	383,152	163,703	10,368	209,081

## Notes to Financial Statements

**(29) Participating Policies**

None.

**(30) Premium Deficiency Reserves**

None.

**(31) Anticipated Salvage and Subrogation**


None.

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ ] No [X]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ ] No [ ] N/A [X]
- 1.3 State Regulating? .....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]
- 2.2 If yes, date of change: .....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ..... 12/31/2008 .....
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ..... 12/31/2008 .....
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ..... 09/29/2009 .....
- 3.4 By what department or departments?  
Arkansas Insurance Department
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [ ] No [ ] N/A [X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] N/A [ ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [ ] No [X]
- 4.12 renewals? Yes [ ] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [ ] No [X]
- 4.22 renewals? Yes [ ] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]
- 7.2 If yes, ..... 0.000% .....
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity
.....	.....

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....	.....	Yes [ ] No [X]	Yes [ ] No [X]	Yes [ ] No [X]	Yes [ ] No [X]	Yes [ ] No [X]

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Rasco, Winter, Abston, Moore & Assoc.      400 West Capitol, Suite 1624      Little Rock, Arkansas 72201
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]
- 10.2 If response to 10.1 is "yes," provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]
- 10.4 If response to 10.3 is "yes," provide information related to this exemption:
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [ ] N/A [ ]
- 10.6 If the answer to 10.5 is "NO" or "N/A" please explain:
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Graham Sutherland    employee of QCA Health Plan, Inc.      12615 Chenal Parkway , Suite 300      Little Rock, Arkansas 72211
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]
- 12.11 Name of real estate holding company

## GENERAL INTERROGATORIES (Continued)

- 12.12 Number of parcels involved 0  
 12.13 Total book/adjusted carrying value \$ 0  
 12.2 If yes, provide explanation
13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:  
 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity? Yes  No  N/A   
 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes  No  N/A   
 13.3 Have there been any changes made to any of the trust indentures during the year? Yes  No  N/A   
 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes  No   
 a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
 b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
 c. Compliance with applicable governmental laws, rules and regulations;  
 d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
 e. Accountability for adherence to the code.  
 14.11 If the response to 14.1 is no, please explain:  
 14.2 Has the code of ethics for senior managers been amended? Yes  No   
 14.21 If the response to 14.2 is yes, provide information related to amendment(s).  
 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes  No   
 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes  No   
 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

	1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
15.2001	.....	.....	.....	.....

### BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes  No
17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes  No
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes  No

### FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes  No
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):  
 20.11 To directors or other officers \$ ..... 0  
 20.12 To stockholders not officers \$ ..... 0  
 20.13 Trustees, supreme or grand (Fraternal only) \$ ..... 0  
 20.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):  
 20.21 To directors or other officers \$ ..... 0  
 20.22 To stockholders not officers \$ ..... 0  
 20.23 Trustees, supreme or grand (Fraternal only) \$ ..... 0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes  No   
 21.2 If yes, state the amount thereof at December 31 of the current year:  
 21.21 Rented from others \$ ..... 0  
 21.22 Borrowed from others \$ ..... 0  
 21.23 Leased from others \$ ..... 0  
 21.24 Other \$ ..... 0
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes  No   
 22.2 If answer is yes:  
 22.21 Amount paid as losses or risk adjustment \$ ..... 0  
 22.22 Amount paid as expenses \$ ..... 0  
 22.23 Other amounts paid \$ ..... 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No   
 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ ..... 221,607

### INVESTMENT

- 24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3) Yes  No   
 24.2 If no, give full and complete information, relating thereto:  
 24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet, (an alternative is to reference Note 17 where this information is also provided)  
 24.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes  No  N/A   
 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$ ..... 0  
 24.6 If answer to 24.4 is no, report amount of collateral for other programs. \$ ..... 0  
 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes  No  N/A   
 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes  No  N/A   
 24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes  No  N/A

## GENERAL INTERROGATORIES (Continued)

- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3) Yes [ ] No [X]
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- |  |    |   |
|--|----|---|
| 25.21 Subject to repurchase agreements                 | \$ | 0 |
| 25.22 Subject to reverse repurchase agreements         | \$ | 0 |
| 25.23 Subject to dollar repurchase agreements          | \$ | 0 |
| 25.24 Subject to reverse dollar repurchase agreements  | \$ | 0 |
| 25.25 Pledged as collateral                            | \$ | 0 |
| 25.26 Placed under option agreements                   | \$ | 0 |
| 25.27 Letter stock or securities restricted as to sale | \$ | 0 |
| 25.28 On deposit with state or other regulatory body   | \$ | 0 |
| 25.29 Other  | \$ | 0 |

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]  
If no, attach a description with this statement.
- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]
- 27.2 If yes, state the amount thereof at December 31 of the current year. \$ ..... 0

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section I, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]
- 28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Arvest Asset Management .....	200 Commerce Dr. Ste. 100, Little Rock, AR .....
Stephens Bank Trust .....	111 Center Street, Little Rock, AR .....

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [X]
- 28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Identify all investment advisers, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
	Dennis Whitaker .....	200 Commerce Dr. Ste. 100 Little Rock, AR .....
	Alan Tedford .....	111 Center Street, Little Rock, AR .....

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes [ ] No [X]
- 29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 Total .....		

29.3 For each mutual fund listed in the table above, complete the following schedule:



## GENERAL INTERROGATORIES (Continued)

1  Name of Mutual Fund (from above table)	2  Name of Significant Holding of the Mutual Fund	3  Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4  Date of Valuation

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1  Statement (Admitted) Value	2  Fair Value	3  Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds .....	11,117,927	11,332,834	214,907
30.2 Preferred stocks .....	1,500,000	1,500,000	
30.3 Totals .....	12,617,927	12,832,834	214,907

30.4 Describe the sources or methods utilized in determining the fair values  
Provided by bank statements/Trust Company reporting

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes[X] No[ ]
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes[ ] No[X] N/A[ ]
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[X] No[ ]
- 32.2 If no, list exceptions:

### OTHER

- 33.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ ..... 36,200
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
AM Best .....	36,200

- 34.1 Amount of payments for legal expenses, if any? \$ ..... 22,027
- 34.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Wright Lindsey & Jennings .....	15,982

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ ..... 0
- 35.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid

# GENERAL INTERROGATORIES (Continued)

## PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes  No
- 1.2 If yes, indicate premium earned on U.S. business only: \$ ..... 0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ ..... 0
  - 1.31 Reason for excluding: \$ ..... 0
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ ..... 0
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ ..... 0
- 1.6 Individual policies - Most current three years:
  - 1.61 Total premium earned \$ ..... 0
  - 1.62 Total incurred claims \$ ..... 0
  - 1.63 Number of covered lives ..... 0
  - All years prior to most current three years:
    - 1.64 Total premium earned \$ ..... 0
    - 1.65 Total incurred claims \$ ..... 0
    - 1.66 Number of covered lives ..... 0
- 1.7 Group policies - Most current three years:
  - 1.71 Total premium earned \$ ..... 0
  - 1.72 Total incurred claims \$ ..... 0
  - 1.73 Number of covered lives ..... 0
  - All years prior to most current three years:
    - 1.74 Total premium earned \$ ..... 0
    - 1.75 Total incurred claims \$ ..... 0
    - 1.76 Number of covered lives ..... 0

2. Health Test

	1 Current Year	2 Prior Year
2.1 Premium Numerator .....	146,105,210	146,799,509
2.2 Premium Denominator .....	146,105,210	146,799,509
2.3 Premium Ratio (2.1 / 2.2) .....	1.000	1.000
2.4 Reserve Numerator .....	15,686,400	14,928,772
2.5 Reserve Denominator .....	15,686,400	14,928,772
2.6 Reserve Ratio (2.4 / 2.5) .....	1.000	1.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes  No
- 3.2 If yes, give particulars: Yes  No  N/A
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes  No
- 4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes  No  N/A
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes  No
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions):
  - 5.31 Comprehensive Medical \$ ..... 747,500
  - 5.32 Medical Only \$ ..... 0
  - 5.33 Medicare Supplement \$ ..... 0
  - 5.34 Dental & Vision \$ ..... 0
  - 5.35 Other Limited Benefit Plan \$ ..... 0
  - 5.36 Other \$ ..... 0
- 6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
 

Provider contracts have hold harmless agreements and continuity of care provisions. Through the reinsurance company \$5,000,000 is reinsured for continuation of benefits in event of insolvency.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes  No
- 7.2 If no, give details:
- 8. Provide the following information regarding participating providers:
  - 8.1 Number of providers at start of reporting year ..... 11,170
  - 8.2 Number of providers at end of reporting year ..... 12,687
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes  No
- 9.2 If yes, direct premium earned:
  - 9.21 Business with rate guarantees between 15-36 months ..... 0
  - 9.22 Business with rate guarantees over 36 months ..... 0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes  No
- 10.2 If yes:
  - 10.21 Maximum amount payable bonuses \$ ..... 0
  - 10.22 Amount actually paid for year bonuses \$ ..... 0
  - 10.23 Maximum amount payable withholds \$ ..... 142
  - 10.24 Amount actually paid for year withholds \$ ..... 142
- 11.1 Is the reporting entity organized as:
  - 11.12 A Medical Group/Staff Model, Yes  No
  - 11.13 An Individual Practice Association (IPA), or, Yes  No
  - 11.14 A Mixed Model (combination of above)? Yes  No
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes  No
- 11.3 If yes, show the name of the state requiring such net worth.
  - Arkansas \$ ..... 5,636,936
- 11.4 If yes, show the amount required. \$ ..... 5,636,936
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes  No
- 11.6 If the amount is calculated, show the calculation.
 

Net Worth requirement of \$100,000 plus certain RBC requirements of the State. The RBC calculations are included with this filing
- 12. List service areas in which the reporting entity is licensed to operate:

1 Name of Service Area
entire state of Arkansas, 75 counties .....

- 13.1 Do you act as a custodian for health savings accounts? Yes  No
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date: \$ ..... 0
- 13.3 Do you act as an administrator for health savings accounts? Yes  No
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date: \$ ..... 0

## FIVE-YEAR HISTORICAL DATA

	1 2011	2 2010	3 2009	4 2008	5 2007
<b>BALANCE SHEET (Pages 2 and 3)</b>					
1. TOTAL Admitted Assets (Page 2, Line 28) .....	42,921,215	44,770,829	39,938,741	34,553,683	30,509,739
2. TOTAL Liabilities (Page 3, Line 24) .....	24,102,140	21,607,233	18,226,619	14,917,843	13,040,405
3. Statutory surplus .....	5,631,806	5,533,355	4,733,565	3,878,796	2,459,407
4. TOTAL Capital and Surplus (Page 3, Line 33) .....	18,819,075	23,163,596	21,712,122	19,635,840	17,469,334
<b>INCOME STATEMENT (Page 4)</b>					
5. TOTAL Revenues (Line 8) .....	146,105,210	146,799,509	124,222,104	99,735,382	58,273,196
6. TOTAL Medical and Hospital Expenses (Line 18) .....	129,326,702	125,099,692	104,566,229	83,570,648	47,552,706
7. Claims adjustment expenses (Line 20) .....	5,030,345	4,647,708	4,244,271	3,906,501	3,623,679
8. TOTAL Administrative Expenses (Line 21) .....	16,119,665	15,319,258	13,438,796	10,698,221	6,027,305
9. Net underwriting gain (loss) (Line 24) .....	(4,839,768)	1,732,851	1,972,808	1,560,012	1,069,506
10. Net investment gain (loss) (Line 27) .....	269,383	356,145	463,290	1,043,916	1,244,262
11. TOTAL Other Income (Lines 28 plus 29) .....		(1)	(2)	1	(3)
12. Net income or (loss) (Line 32) .....	(4,559,308)	2,039,595	2,393,868	2,512,793	2,279,553
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11) .....	(2,772,110)	5,924,256	4,769,763	4,445,083	4,772,909
<b>RISK-BASED CAPITAL ANALYSIS</b>					
14. TOTAL Adjusted Capital .....	18,819,075	23,163,596	21,712,122	19,635,840	17,469,334
15. Authorized control level risk-based capital .....	5,631,778	5,533,355	4,733,565	3,878,796	2,459,407
<b>ENROLLMENT (Exhibit 1)</b>					
16. TOTAL Members at End of Period (Column 5, Line 7) .....	45,067	49,625	44,017	35,516	20,207
17. TOTAL Members Months (Column 6, Line 7) .....	569,492	567,122	482,872	392,688	230,223
<b>OPERATING PERCENTAGE (Page 4)</b>					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19) .....	88.5	85.2	84.2	83.8	81.6
20. Cost containment expenses .....	2.1	2.3	2.5	2.9	4.4
21. Other claims adjustment expenses .....	1.3	0.9	0.9	1.0	1.8
22. TOTAL Underwriting Deductions (Line 23) .....	103.3	98.8	98.4	98.4	98.2
23. TOTAL Underwriting Gain (Loss) (Line 24) .....	(3.3)	1.2	1.6	1.6	1.8
<b>UNPAID CLAIMS ANALYSIS</b>					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5) .....	13,127,677	8,869,551	6,524,255	4,290,211	4,318,319
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)] .....	13,320,969	10,807,956	8,369,602	6,078,071	6,236,869
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1) .....					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1) .....	1,500,000	1,500,000			
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1) .....					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) .....					
30. Affiliated mortgage loans on real estate .....					
31. All other affiliated .....	5,623	5,616	5,604	5,580	5,484
32. TOTAL of Above Lines 26 to 31 .....	1,505,623	1,505,616	5,604	5,580	5,484

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes[ ] No[ ] N/A[X]

If no, please explain::

# SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS ALLOCATED BY STATES AND TERRITORIES

1	2	Direct Business Only							9
		3	4	5	6	7	8		
Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Considerations	Property/Casualty Premiums	Total Columns 2 Through 7	Deposit - Type Contracts	
State, Etc.									
1. Alabama (AL) .....	N								
2. Alaska (AK) .....	N								
3. Arizona (AZ) .....	N								
4. Arkansas (AR) .....	L	147,545,475			1,449,783		148,995,258		
5. California (CA) .....	N								
6. Colorado (CO) .....	N								
7. Connecticut (CT) .....	N								
8. Delaware (DE) .....	N								
9. District of Columbia (DC) .....	N								
10. Florida (FL) .....	N								
11. Georgia (GA) .....	N								
12. Hawaii (HI) .....	N								
13. Idaho (ID) .....	N								
14. Illinois (IL) .....	N								
15. Indiana (IN) .....	N								
16. Iowa (IA) .....	N								
17. Kansas (KS) .....	N								
18. Kentucky (KY) .....	N								
19. Louisiana (LA) .....	N								
20. Maine (ME) .....	N								
21. Maryland (MD) .....	N								
22. Massachusetts (MA) .....	N								
23. Michigan (MI) .....	N								
24. Minnesota (MN) .....	N								
25. Mississippi (MS) .....	N								
26. Missouri (MO) .....	N								
27. Montana (MT) .....	N								
28. Nebraska (NE) .....	N								
29. Nevada (NV) .....	N								
30. New Hampshire (NH) .....	N								
31. New Jersey (NJ) .....	N								
32. New Mexico (NM) .....	N								
33. New York (NY) .....	N								
34. North Carolina (NC) .....	N								
35. North Dakota (ND) .....	N								
36. Ohio (OH) .....	N								
37. Oklahoma (OK) .....	N								
38. Oregon (OR) .....	N								
39. Pennsylvania (PA) .....	N								
40. Rhode Island (RI) .....	N								
41. South Carolina (SC) .....	N								
42. South Dakota (SD) .....	N								
43. Tennessee (TN) .....	N								
44. Texas (TX) .....	N								
45. Utah (UT) .....	N								
46. Vermont (VT) .....	N								
47. Virginia (VA) .....	N								
48. Washington (WA) .....	N								
49. West Virginia (WV) .....	N								
50. Wisconsin (WI) .....	N								
51. Wyoming (WY) .....	N								
52. American Samoa (AS) .....	N								
53. Guam (GU) .....	N								
54. Puerto Rico (PR) .....	N								
55. U.S. Virgin Islands (VI) .....	N								
56. Northern Marianas Islands (MP) .....	N								
57. Canada (CN) .....	N								
58. Aggregate other alien (OT) .....	X X X								
59. Subtotal .....	X X X	147,545,475			1,449,783		148,995,258		
60. Reporting entity contributions for Employee Benefit Plans .....	X X X								
61. TOTAL (Direct Business) .....	(a) 1	147,545,475			1,449,783		148,995,258		

**DETAILS OF WRITE-INS**

5801. ....	X X X							
5802. ....	X X X							
5803. ....	X X X							
5898. Summary of remaining write-ins for Line 58 from overflow page .....	X X X							
5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above) .....	X X X							

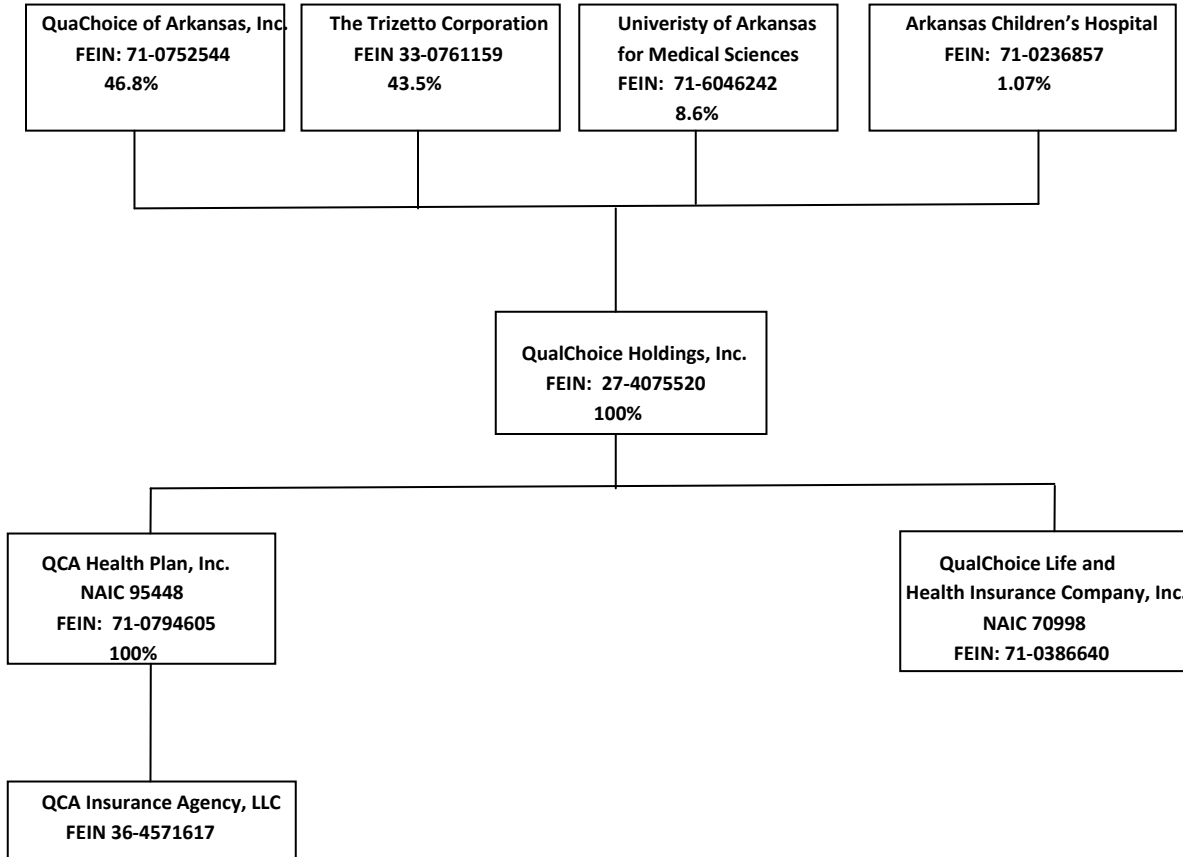
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.  
Explanation of basis of allocation of premiums by states, etc.:

# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

## MEMBERS OF A HOLDING COMPANY GROUP

### PART 1 - ORGANIZATIONAL CHART



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